

9.	Normal Cost	
a.	Plan B	\$ 403,635
b.	Plan A	11,283,137
c.	Plan C	<u>18,904,325</u>
d.	Total = (a.) + (b.) + (c.)	\$30,591,097
10.	Expected Employee Contributions	
a.	Plan C Participants	\$ (9,043,955)
b.	Plan B Participants	<u>(235,238)</u>
c.	Total (a.)+(b.)	\$ (9,279,193)
11.	Interest at 8.25% on (8.) + (9.) + (10.)	\$ 1,652,529
12.	Total County Contribution (8.) + (9.) + (10.) + (11.)	\$17,430,216
13.	Expected FY09 Active Payroll (under expected retirement age)	
a.	Plan B	\$ 2,940,472
b.	Plan A	114,587,786
c.	Plan C	<u>150,732,586</u>
d.	Total	\$268,260,844
14.	County Contribution Rate	
a.	Normal Cost	11.40%
b.	Amortization of Plan C	1.33
c.	Employee Contributions	(3.46)
d.	Interest on (a.), (b.), and (c.)	<u>.90</u>
e.	Ongoing Cost = (a.) + (b.) + (c.) + (d.)	10.17
f.	Amortization of Surplus	(3.39)
g.	Interest on (f.)	<u>(.28)</u>
h.	Total = (e.) + (f.) + (g.)	6.50%

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**SECTION 2****ACCOUNTING INFORMATION****Schedule of Funding Progress**

<u>Year Ended June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funded Ratio</u>
2008	\$1,040,514,476	\$1,000,475,305 *	104%
2007	992,145,395	934,829,366 *	106%
2006	933,730,481	860,178,582	109%
2005	885,049,492	780,800,809 *	113%
2004	841,335,004	737,329,388 *	114%

Actuarial Accrued Liability is based on the Projected Unit Credit Service Pro-Rate Funding Method. The liability is as of June 30 each year prior to changes in assumptions, methods and plan provisions which may be effective July 1.

**Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2008	\$ 12,956,023	145%
2007	\$ 11,037,956	170%
2006	\$ 10,322,629	182%
2005	\$ 9,645,830	195%
2004	\$ 17,836,157	100%

\*The Actuarial Accrued Liability in these years is projected from the prior July 1, based on the employee data in effect on that date.

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## SECTION 3

### BASIS OF ACTUARIAL VALUATION

In this section, the basis of the actuarial valuation is presented and described. This information -- the provisions of the plans and census of participants -- is the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

The valuation is based upon the premise that the plan will continue in existence, so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund, the number of participants who will remain to retirement, their ages at retirement and expected benefits.

The actuarial assumptions and the actuarial cost method, or funding method, which has been adopted to guide the sponsor in funding the plan in a reasonable and acceptable manner, are described in this section.

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## **SECTION 3.1**

### **Summary of Plan B Provisions**

#### **Plan**

Plan B of Retirement System of Shelby County, Tennessee.

#### **Effective Date**

September 1, 1949, closed effective December 1, 1978.

#### **Eligibility**

All salaried employees hired prior to December 1, 1978 were eligible at date of employment and had to apply for membership as a condition of such employment. "Employee" means any person employed on a regular full-time basis, excluding officials or employees of the Board of Education of Shelby County.

Entry in the System was optional for individuals employed on a per diem basis.

Employees not able to complete the required number of years of service prior to mandatory retirement age could not join the plan.

#### **Normal Retirement**

Employees may retire under any of the following sets of criteria as applicable:

- (a) Completion of 25 years of service;
- (b) Completion of 10 years of service and attainment of age 60;
- (c) If the employee is a deputy sheriff, as that term may apply, completion of 10 years of credited service and attainment of age 55;
- (d) Completion of 15 years of service if participant's job is abolished or participant is not re-elected or re-appointed at the time of appointment or election.

The normal retirement benefit, 1/12 of which is payable monthly for life, is determined as 2.7% of average compensation multiplied by years of credited service not in excess of 25 plus 1% of average compensation multiplied by years of service greater than 25 but less than 35, with a maximum benefit of 77.5% of average compensation. The minimum pension is \$300.00 per month unless the employee is jointly employed by the City and County in which case the minimum is \$150 per month. Benefits continue to the surviving spouse upon the death of the participant.

"Compensation" means base salary exclusive of overtime pay or other final benefits.

Listed below is a summary of the benefits for different years of service:



<b><u>Years of Service</u></b>	<b><u>Benefit Accrual Per Year</u></b>	<b><u>Cumulative Percent of Final Average Pay</u></b>
1-7	2.7%	18.9%
8-13	2.7	35.1
14-20	2.7	54.0
21-25	2.7	67.5
26-30	1.0	72.5
31-35	1.0	77.5
35 and above	0.0	77.5

If a participant had 10 years of service on 10/1/77, "average" means the greater of the average monthly Compensation for the five consecutive years of County Service during which compensation was the highest or average monthly compensation for the twelve (12) months preceding the date of retirement. If the participant did not have 10 years of service on 10/1/77, "average" would mean the average rate for the 36 consecutive months during which the employee received his highest compensation.

Cost-of-living adjustments are granted on an ad-hoc basis as determined annually by the Board of Commissioners.

### **Disability Retirement**

If a participant becomes totally and permanently disabled prior to January 1, 2007, as defined in the plan, after 5 years of service, if not in line-of-duty, or after becoming employed, if in line-of-duty, a disability benefit will be paid.

If disability does not occur in line-of-duty, the benefit will be determined as for normal retirement provided that the benefit will not be greater than 57.5% of final average compensation or 90% of the service retirement allowance which would have been received at the minimum age of service retirement. If disability occurs in line-of-duty, the benefit will be 50% of final average compensation.

No participant shall be eligible for a disability pension on or after January 1, 2007, except for line-of-duty disability.

### **Death Benefit**

If a participant dies before completing 10 years of service and does not die in line-of-duty, his beneficiary will receive a refund of the participant's contributions, without interest; if death occurs after 10 years of service or after retirement the member's eligible spouse, as defined in the plan, will receive the participant's accrued benefit until remarriage, unless such remarriage occurs after age 65, or death. If the member's spouse does not survive him or if the spouse dies or remarries prior to age 65, the benefit will be paid to the child or divided among the children of the participant until they reach age 18. If the child is handicapped, payments continue for the lifetime of the child.

If death occurs in line-of-duty, a benefit of 50% of the participant's final average earnings will be paid to the spouse, until death or remarriage or to minor children under 18, if no spouse is living, or to the father and/or mother who was supported by the deceased member at the time of his death.

### **Optional Retirement Benefits**

No optional forms of benefit are permitted by the plan.

### **Termination of Employment**

If employment is terminated prior to the completion of ten years of credited service, a refund of the participant's contributions, without interest, is payable.

If employment is terminated after 10 years of service, a vested deferred benefit equal to the participant's accrued benefit at date of termination is paid commencing at age 60. Benefits are payable to the surviving spouse after age 60 of the participant. The participant may elect to withdraw his contributions, without interest, instead of receiving the deferred monthly benefit at age 60.

### **Contributions**

Each year the County contributes an amount determined actuarially to sustain the plan on an actuarially determined funding basis. Employees contribute 8% of earnings to the retirement plan for the first 35 years. After 35 years, employees contribute 8% of any increases in pay.

### **Changes in Plan Provisions Since Last Valuation**

None.

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## SECTION 3.2

### Summary of Plan A Provisions

#### Plan

Plan A of Retirement System of Shelby County, Tennessee.

#### Effective Date

December 1, 1978

#### Eligibility

All employees hired after December 1, 1978 and prior to March 1, 2005 including all full-time, part-time and elected employees, and members of Plan B electing to transfer to Plan A and employees of all joint City/County agencies administered by Shelby County participate. CETA employees, Board of Education employees, employees electing Social Security coverage, and Joint City/County agencies not administered by Shelby County cannot participate.

Once a person becomes a participant, he will continue to be a participant for as long as he is an employee.

#### Normal Retirement

Employees may retire after attainment of age 65 regardless of their length of credited service. The benefit is payable for the lifetime of the participant. The benefit amount is equal to a percentage from Table A, which is included in the Appendix to the plan, multiplied by final average earnings. Final average earnings is the average over three highest consecutive years of compensation. Earnings means total cash compensation exclusive of overtime and all other extra compensation paid or provided by Shelby County to the employee.

Listed below is a summary of Table A with retirement benefits for different years of service:

<b><u>Years of Service</u></b>	<b><u>Benefit Accrual Per Year</u></b>	<b><u>Cumulative Percent of Final Average Pay</u></b>
1 - 7	1.5%	10.5%
8 - 13	2.0	22.5
14 - 20	2.5	40.0
21 - 25	3.0	55.0
26 - 30	3.0	70.0
31 - 35	2.5	82.5
36 - 38	2.5	90.0
39 and above	0.0	90.0



## **Early Retirement**

If an employee retires after attainment of age 55 and completion of 7.5 years of credited service, then the employee will be eligible for an early retirement benefit. The employee may elect an immediate benefit equal to the benefit rate from Table B, included as part of the plan, multiplied by final average earnings as of the date of retirement. Alternatively, an employee may elect a deferred benefit beginning at age 65 equal to the benefit rates from Table A, based on past service to date of retirement, multiplied by final average earnings at date of retirement.

The reduction for an immediate benefit beginning on or after age 55 is 2.5% for each year less than age 65. At age 55, the reduction is 25% of the Table A benefit to determine the Table B benefit.

## **Public Safety Employees**

Public Safety Employees, hired prior to March 1, 2005, who did not elect to transfer to Plan C, effective September 1, 2005, are no longer eligible to retire under the 25 year-and-out program and no longer contribute to Plan A.

## **Disability Retirement**

- (a) For employees hired prior to December 1, 1988 unless coverage elected as described in
- (b) below and who became disabled prior to January 1, 2002:

If a participant becomes totally and permanently disabled, as defined in the plan, after five years of service a disability benefit will be paid. If an employee becomes disabled while engaging in hazardous duty, which must require an employee to experience great danger as a duty of his job, then an employee will receive disability benefits regardless of length of service.

The benefit amount will be equal to 60% of the participant's final average earnings plus 10% of final average earnings if dependent children exist. The benefit will continue to age 65 (or for five years, but not beyond age 70, if disability occurs after age 60) and is then recomputed as a normal retirement benefit with credited service including time while disabled.

- (b) For all employees hired on or after December 1, 1988 and for those employees hired prior to December 1, 1988 who elect such coverage and became disabled prior to January 1, 2002:

If a participant becomes totally and permanently disabled, as defined in the plan, a disability benefit will be paid. If an employee becomes disabled while engaging in hazardous duty, or in line-of-duty, which must require an employee to experience great danger as a duty of his job, then an employee will receive disability benefits regardless of length of service.

The ordinary disability amount will be equal to a percent based on years of service of the participant's final average earnings plus 10% of final average earnings if dependent children exist. The benefit will continue to age 65 (or for five years, but not beyond age 70,



if disability occurs after age 60) and is then recomputed as a normal retirement benefit with credited service including time while disabled.

<u>Years of Service</u>	<u>Percent of Final Average Earnings</u>
5 - 9 years	30%
10 - 14 years	35%
15 - 19 years	40%
20 - 24 years	45%
25 or more years	50%

The hazardous duty or line-of-duty benefit amount will be equal to 60% of the participant's final average earnings plus 10% of final average earnings if dependent children exist. The benefit will continue to age 65 (or for five years, but not beyond age 70, if disability occurs after age 60) and is then recomputed as a normal retirement benefit with credited service including time while disabled.

For (a) and (b) above, the hazardous duty and line-of-duty benefits will continue to be provided for disabilities within one month after date of employment.

#### **Death Benefit**

(a) Upon death of a participant before termination, after engaging in hazardous duty or line-of-duty (if hired on or after December 1, 1988), or after completing 7.5 years of credited service, or if death occurs while participant is receiving a disability pension.

- (i) For dependent children,  
52.5% of participant's final average earnings payable for as long as there are dependent children.

If the employee was hired on or after December 1, 1988 or if the employee was hired prior to December 1, 1988 but elected such coverage and is receiving a disability benefit at his death, dependent children get all of the disability benefit paid to the employee (less the 10% additional benefit).

(ii) For spouse under age 65

85% of dependent children benefit after no longer dependent children, or 45% of participant's final average earnings if never any dependent children. Benefit is payable for 24 months, but not beyond spouse's age 65 or remarriage. The spouse is entitled to a permanent survivor pension payable at the spouse's age 65 equal to 75% of participant's pension computed as if he had retired or terminated immediately before death. The participant's final average earnings is adjusted by the COLA from the participant's death to the spouse's 65th birthday. If the participant was not receiving a disability pension and the death did not occur after engaging in hazardous duty or in the line of duty, the participant must have attained age 55 or completed 15 years of credited service for the spouse to receive such permanent pension.

If the employee was hired on or after December 1, 1988 or if the employee was hired prior to December 1, 1988 but elected such coverage and is receiving a disability benefit at his death, when no dependent children, spouse gets 75% of the amount paid to the employee for up to 24 months.

(b) Death of participant after termination with vested pension

(i) If participant was entitled to receive a deferred vested pension at time of death, survivor benefit to spouse is 75% of participant's monthly benefit commencing at spouse's age 65. A reduced immediate benefit is available.

(ii) Benefits are for dependent children only as in (a)(i) above.

(c) Survivor benefit for spouse who is over age 65

(i) If participant was receiving a normal, early or vested pension at time of death, survivor benefit to spouse over age 65 is 75% of participant's pension. A reduced immediate benefit is available.

(ii) If participant was still an employee at time of death, survivor benefit to spouse over age 65 is 75% of participant's pension computed as if he had retired immediately before death. A reduced immediate benefit is available.

(iii) If participant was receiving a disability pension at time of death, survivor benefit to spouse over age 65 is computed as 75% of the benefit participant would have received upon retirement at age 65. Credited service includes time while participant is disabled. A reduced immediate benefit is available.

### Termination of Employment

If employment is terminated prior to completion of 7.5 years of credited service, no benefit is payable. If the employee terminates employment after completion of 7.5 years of service, a benefit will be payable at age 65 equal to the benefit rate from Table C multiplied by final average earnings on the date of termination. Alternatively, the participant may elect a vested early benefit payable at age 55 which is actuarially equivalent to the amount payable in accordance with the above calculation.

### Optional Retirement Benefits

An actuarially equivalent optional benefit may be elected in lieu of the pension payable to the participant, other than for disability and survivor benefits to a spouse after attaining age 65. Options include:

Joint and Survivor Option

Modified Joint and Survivor Option

Special Form Option

Lump Sum Option up to \$30,000 is the automatic form of payment. If the lump sum value is greater than \$30,000 but no more than \$50,000, the lump sum option may be chosen. The interest rate for these calculations on or after April 15, 2002 is 7.5%, which is the funding rate for the plan year less 75 basis points. The mortality table assumption is the 1983 Group Annuity Mortality Table blended 50/50 for male/female life expectancy.

### Cost-of-Living Adjustments in Benefits

A maximum of 4% annual adjustment based on CPI changes applies to the following benefits:

- (a) Retired participants after age 65
- (b) Disabled participants
- (c) Survivor benefits for dependent children
- (d) Survivor benefits for spouses under and over age 65

In no event, however, will the Plan A benefits exceed 100% of final average pay except as follows for an employee who retires with 40 or more years of service:

<b>Monthly Retirement Benefit</b>	<b>Maximum Benefit</b>
Less than \$1,200	124%
\$1,200 to \$2,800	115%
More than \$2,800	106%

### Special Provisions

Employees who elected to transfer from Plan B to Plan A are assured of a minimum benefit equal to the actuarially equivalent monthly benefit of the lump sum value of employee contributions transferred to Plan A.

Plan B Med employees mandated to Social Security were given the option of transferring to Plan A without a refund of employee contributions. If the option was elected, an additional benefit may be provided from Plan A equal to the difference between what the participant would have received from Plan B and what he actually receives from Plan B (frozen at July 1, 1985) and Plan A (earned after July 1, 1985).

#### **Changes in Plan Provisions Since Last Valuation**

The mandatory cash-out amount was increased from \$20,000 to \$30,000, and the optional cash-out amount was increased from \$35,000 to \$50,000.



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## **SECTION 3.3**

### **Summary of Plan C Provisions Plan**

Plan C of Retirement System of Shelby County, Tennessee.

#### **Effective Date**

September 1, 2005

#### **Eligibility**

All employees participate who are hired on or after March 1, 2005, including all full-time, part-time and elected employees, and employees of all joint City/County agencies administered by Shelby County, and members of Plan A electing to transfer to Plan C. CETA employees, Board of Education employees, employees electing Social Security coverage, and Joint City/County agencies not administered by Shelby County cannot participate.

Once a person becomes a participant, he will continue to be a participant for as long as he is an employee.

#### **Alternate Benefit Accrual Account**

All participants in this plan are required to contribute 6% of their earnings to fund the plan. Participants are always fully vested in these contributions. The employer will match 50% of each contribution the participant makes to the plan. The participant becomes fully vested in the employer contributions once he has reached 7.5 years of credited service. The total of these two contribution amounts will comprise the participant's Alternate Benefit Accrual Account. The investment return on these contributions and match is five percent (5%) per annum.

#### **Normal Retirement**

Employees may retire and begin receiving a pension benefit after attainment of age 65 or after completing 25 years of credited service. The benefit is payable for the lifetime of the participant. The benefit amount is equal to the greater of 2.35% of final average earnings multiplied by credited service (up to 35 years) and the life annuity equivalent of the participant's Alternate Benefit Accrual Account. Final average earnings is the average over the highest consecutive 36 month period of compensation. Earnings means total cash compensation exclusive of overtime and all other extra compensation paid or provided by Shelby County to the employee.

## **Early Retirement**

If an employee retires after attainment of age 55 and completion of 7.5 years of credited service, then the employee will be eligible for an early retirement benefit. The employee will be given a choice of the following two benefit options:

- (i) The employee may elect an immediate benefit equal to the benefit rate from Table ERP, included as part of the plan, multiplied by final average earnings as of the date of retirement and credited service (up to 35 years).
- (ii) Alternatively, an employee may elect a deferred benefit beginning at age 65 equal to the benefit rates from Table DVRRP, based on past service to date of retirement, multiplied by final average earnings at date of retirement and credited service up to 35 years.

The participant will receive the life annuity equivalent of his alternate benefit accrual account if it is greater than the benefits listed in (i) and (ii), above.

## **Disability Retirement**

No disability pension shall be paid under the current plan except for the following two reasons:

- (i) If the participant is a County to City transfer who is entitled to a pension from the City plan, then he is also entitled to a disability pension from this plan. His disability pension shall be the excess of his 'Ordinary Disability Pension' (as defined in Plan A using Total Credited Service) in excess of his disability pension from the City. The ordinary disability pension payable from this plan shall not exceed 60% of the participant's average monthly compensation (as defined in the City Plan).
- (ii) If the participant is a County to City transfer who incurs a 'line of duty disability' (as defined in the City Plan) he is entitled to receive the vested portion of his Alternate Benefit Accrual Account within 60 days after a formal notification by the City of the determination of such 'line of duty disability.'

## **Death Benefit**

- (i) Upon death of a participant before termination, after engaging in hazardous duty or line-of-duty, or after completing 7.5 years of credited service, or if death occurs while participant is receiving a disability pension.

- (a) For dependent children,

50% of participant's final average earnings payable for as long as there are dependent children. A disabled participant's final average earnings shall be adjusted by the COLA from date of termination until date of death.



(b) For spouse under age 65

If the participant has less than 15 years of credited service then the spouse will receive the vested portion of the participant's alternate benefit accrual account. If the employee had completed 15 years of service, the spouse is entitled to a monthly pension equal to the greater of 75% of participant's pension computed as if he had retired or terminated immediately before death and the participant's alternate benefit accrual account, payable monthly for the Spouse's life. The participant's final average earnings shall be adjusted by the COLA from the participant's date of death to the spouse's 65th birthday.

(ii) Death of participant after termination with vested pension

(a) If the participant was entitled to receive a deferred vested pension at time of death, then the survivor benefit described above in (i)(b) will apply. A reduced immediate benefit is available.

(b) Benefits are for dependent children only as in (i) (a) above.

(iii) Survivor benefit for spouse who is over age 65

(a) If the participant was receiving a normal, early or deferred vested retirement pension at time of death, survivor benefit to spouse over age 65 is 75% of participant's pension, unless participant elected to receive an Optional Pension or retirement pension was the life annuity equivalent of the Alternative Benefit Accrual Account.

(b) If the participant was still an employee at time of death, survivor benefit to spouse over age 65 is 75% of participant's pension computed as if he had retired immediately before death.

(c) If the participant was receiving the life annuity equivalent of his alternate benefit accrual account at time of death, survivor benefit to spouse over age 65 is 75% of the participant's pension.

**Termination of Employment**

If employment is terminated prior to completion of 7.5 years of credited service, no monthly benefit is payable. However, the participant is entitled to an immediate lump sum payment of the vested portion of his alternate benefit accrual account.

If the employee terminates employment after completion of 7.5 years of service, a benefit will be payable at age 65 equal to 2.35% of final average earnings on the date of termination multiplied by credited service (up to 35 years). Alternatively, the participant may elect a vested early benefit payable at age 55 which is actuarially equivalent to the amount payable in accordance with the above calculation.

The participant will receive the life annuity equivalent of his alternate benefit accrual account if he has completed 7.5 years of service and the life annuity equivalent is greater than the benefit amounts listed above.

See Alternate Benefit Accrual Account for benefits to employees who terminate employment with fewer than 7.5 years of service.

### **Optional Pensions**

An actuarially equivalent optional pension benefit may be elected in lieu of the pension payable to the participant, other than for disability and survivor benefits to a spouse after attaining age 65. Options include:

Joint and Survivor Option

Life Only Annuity

Life Only with a 10-year certain payment

Special Form Option

Lump Sum Option up to \$30,000 is the automatic form of payment. If the lump sum value is greater than \$30,000 an Optional Cash Distribution (in an amount that is a multiple of \$10,000) up to \$50,000 may be chosen. Such election will reduce the normal, early, deferred, or survivor retirement pension by the life annuity equivalent of the Optional Cash Distribution. The interest rate for these calculations is 7.5%, which is the funding rate for the plan year less 75 basis points. The mortality table assumption is the 1994 GAR Mortality Table projected to 2002 blended 50/50 for male/female life expectancy.

### **Transition Period Pensions**

The Retirement Pension, for participants who elected to transfer from Plan A to Plan C, who are otherwise eligible for a Retirement Pension but whose termination occurs within this Transition Period, shall be calculated and paid as if the participant had remained in Plan A.

Transition Period begins on the Effective Date and ends upon completion of 60 months of Credited Service under this Plan. Each month of Credited Service earned as a Public Safety Employee under Plan A for which employee contributions were made, shall be treated as a month of Credited Service for purposes of the Transition Period.

### **Cost-of-Living Adjustments in Benefits**

A maximum of 4% annual adjustment based on CPI changes applies to the following benefits:

- (i) Retired participants after age 65
- (ii) Disabled participants
- (iii) Survivor benefits for spouses under and over age 65

In no event, however, will the Plan C benefits exceed 100% of final average earnings.

### **Contributions**



See Alternate Benefit Accrual Account.

**Changes in Plan Provisions Since Last Valuation**

The mandatory cash-out amount was increased from \$20,000 to \$30,000.